

Message Text

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TO AMEMBASSY ANTANANARIVO PRIORITY

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E.O. 11652: N/A

TAGS: EAIR, EFIN, EXIM, MA, US

SUBJECT: EXIM FINANCING FOR AIR MADAGASCAR PURCHASE OF
B-747

REF: A) ANTANANARIVO 358; B) 77 KINSHASA 10608

1. DEPTOFFS HAVE DISCUSSED STATUS OF EXIM GUARANTEE
FOR B-747 WITH RESPONSIBLE EXIM LOAN OFFICER. WHILE
SHEDDING SOME LIGHT ON POSSIBLE ORIGINS OF GDRM UNHAPPI-
NESS REPORTED IN REFTEL A, LOAN OFFICER EMPHASIZED THAT
THE REAL OBSTACLE TO FINALIZING GUARANTEE AND GOING
AHEAD WITH THE PURCHASE CONTINUES TO BE LACK OF A LONG-
TERM LEASE BY AIR FRANCE WHICH WILL SATISFY EXIM'S
REQUIREMENT FOR REASONABLE ASSURANCE OF REPAYMENT.

2. WHAT EXIM NEEDS, AND UNDERSTOOD WOULD BE FORTHCOMING
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AT THE TIME IT MADE THE COMMITMENT TO PROVIDE THE
GUARANTEE, IS A 10-YEAR LEASE AGREEMENT BETWEEN AIR FRANCE
AND AIR MADAGASCAR, WHICH WOULD COVER THE FULL TERM OF
EXIM'S GUARANTEE. TO DATE, AIR FRANCE CONTINUES TO HOLD
TO POSITION REPORTED IN REF B, OFFERING WHAT IS, IN EFF-
ECT, A ONE-YEAR LEASE RENEWABLE UPON AGREEMENT OF BOTH
RPT BOTH PARTIES.

3. LOAN OFFICER INDICATED HE WAS INFORMED BY BOEING THAT NEGOTIATIONS WERE CONTINUING BETWEEN AIR FRANCE AND MALAGASY PARTIES, AND THAT A FINAL LEASE AGREEMENT WAS BEING DRAFTED WHICH MIGHT BE SOME IMPROVEMENT, BUT WAS UNLIKELY TO MEET EXIM'S ORIGINAL REQUIREMENTS. THIS AGREEMENT MIGHT BE PRESENTED FOR EXIM REVIEW IN A MONTH OR TWO, BUT AT BEST BOARD WOULD BE FACED WITH A HARD DECISION.

4. LOAN OFFICER ASSUMES THAT "WAR CLAUSE" MENTIONED IN REFTTEL A IS PROBABLY A REFERENCE TO THE ABSENCE OF FORCE MAJEURE ESCAPE CLAUSES FROM THE PRESENT DRAFT CREDIT AGREEMENT. DEPARTMENT BELIEVES THAT IF LEASE PROBLEM SOLVED, FORCE MAJEURE QUESTION CAN BE SOLVED.

5. LOAN OFFICER HAD NO IDEA WHAT WAS MEANT BY "USG ACCOUNTING PROCEDURES." DEPARTMENT SPECULATES THAT THIS MAY BE A REFERENCE TO REQUIREMENT FOR ESTABLISHMENT OF AN ESCROW ACCOUNT IN A THIRD COUNTRY, IN THE NAME OF THE CENTRAL BANK, INTO WHICH AIR FRANCE WOULD MAKE ITS LEASE PAYMENTS, AND WHICH WOULD BE USED FOR DEBT SERVICE. THIS ARRANGEMENT, WHICH WAS IMPORTANT IN ESTABLISHING VIABILITY OF GUARANTEE, IS QUITE COMMON AND GDRM HAS NEVER RAISED ANY OBJECTION TO IT. ALTERNATIVELY, IS IT POSSIBLE THAT COMPLAINT REFERS TO CITIBANK LOAN AGREEMENT PROVISION LIMITED OFFICIAL USE

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CALLING FOR SUBMISSION OF AIR MADAGASCAR FINANCIAL STATEMENTS TO LENDER? SUCH PROVISIONS OFTEN CALL FOR STATEMENTS TO BE PREPARED IN ACCORDANCE WITH USUAL US ACCOUNTING PROCEDURES.

6. EMBASSY IS AUTHORIZED TO DRAW ON INFORMATION ABOVE IN RESPONDING TO COMPLAINTS ABOUT EXIM HANDLING OF THIS CASE. YOU SHOULD EMPHASIZE THAT REQUIREMENT FOR MULTI-YEAR AIR FRANCE COMMITMENT WAS A WELL-KNOWN CONDITION OF EXIM'S COMMITMENT TO GUARANTEE PORTION OF DEAL, AND THAT BALL IS THEREFORE IN AIR FRANCE'S COURT. VANCE

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